

PUBLIC DISCLOSURE

MARCH 23, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

ATHOL SAVINGS BANK

90146

444 MAIN STREET
ATHOL, MASSACHUSETTS 01331

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MASSACHUSETTS 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (the "Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **ATHOL SAVINGS BANK** (the "Bank") prepared by the Division, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Outstanding"

The Bank's overall CRA rating is based upon its performance under the five criteria contained herein. The following is a summarization of the findings, presented in descending order of weight given to each criteria, that were utilized in formulating the Bank's overall CRA rating.

Distribution of Credit among Different Income Levels

The Bank maintained a substantial distribution of HMDA reportable lending to individuals of low and moderate-income, given the demographics of the Bank's assessment area.

Geographic Distribution of Loans

The Bank managed a significant penetration of HMDA reportable lending to the moderate-income census tracts in the Bank's assessment area.

Comparison Of Credit Extended Inside And Outside Of The Assessment Area(s)

The Bank's penetration of its HMDA reportable lending coming from inside its assessment area was substantial.

Loan to Deposit Analysis

The Bank maintained a reasonable level of net loan to deposit ratios reviewed over an eight quarter period.

Review of Complaints/Fair Lending Policies and Practices

The Bank's fair lending policies and practices are considered reasonable. No fair lending complaints have been received since the prior examination.

Investments and Services

Lastly, in assessing whether an institution's CRA performance is "High Satisfactory" or "Outstanding" under the small institutions performance standards, the Division considers the degree to which an institution exceeds each performance standard for a "Satisfactory" rating, and the institution's performance in providing qualified investments and services. At management's request, the Bank's investments and services were reviewed.

PERFORMANCE CONTEXT

Description of Institution

Athol Savings Bank is a mutual savings bank, incorporated under the laws of the Commonwealth of Massachusetts in 1867.

As of December 31, 2003, the Bank had \$257,895,000 in total assets. Of these total assets, \$172,633,000 or 66.9 percent were in the form of loans (net). The following table depicts The Bank's loan portfolio composition based on its December 2003 FDIC Quarterly Call Report.

Athol Savings Bank's Loan Portfolio as of December 31, 2003	
Type of Loans	% of Total Loans
Construction & Land Development	6.0
Residential Real Estate	
a. 1-4 Family Mortgages	70.6
b. Home Equity Lines (includes second mortgages)	9.3
Multifamily	1.3
Commercial Loans	
a. Commercial Real Estate	7.9
b. Commercial & Industrial Loans	4.2
Consumer Loans	
a. Credit Cards & Related Plans	0.0
b. Loans to Individuals/Other Loans	0.7
Total Loans	100.0

Source: FDIC Call Report, 12/31/03

As indicated, overall residential lending represents the majority of the Bank's portfolio at 79.9 percent. The second largest segment of the loan portfolio is overall commercial lending at 12.1 percent.

Description of Institution (continued)

The Bank operates eight branch office locations. Its main office located on Main Street in Athol, a lending/convenience center also on Main Street in Athol, and a branch office on Main Street in "Uptown" Athol. In addition, the Bank has five branch offices located in Ashburnham, Baldwinville, Barre, Gardner, and Winchendon. The Gardner office, located at 196 Timpany Boulevard, was opened in July 2001. The Barre office, located at 560 Summer Street, was opened in January 2003.

There appears to be no legal or regulatory impediments that would effect the Bank in meeting the needs of its community. The FDIC conducted the previous CRA evaluation as of March 18, 2002. That examination resulted in a "Satisfactory" rating. The Division conducted the previous CRA evaluation as of December 14, 1998. That examination also resulted in a "Satisfactory" rating.

Description of Assessment Area

The Bank has designated its assessment area as the Massachusetts towns of Athol, Ashby, Ashburnham, Barre, Gardner, Hardwick, Hubbardston, Leverett, New Salem, Oakham, Orange, Petersham, Phillipston, Royalston, Rutland, Shutesbury, Templeton, Westminster, and Winchendon, and the New Hampshire towns of Fitzwilliam, Jaffrey, and Rindge. All of the Massachusetts communities are located in either the Fitchburg-Leominster Metropolitan Statistical Area (MSA) or a non-MSA. The New Hampshire towns are located in a non-MSA.

The HUD estimated Median Family Income for the Fitchburg-Leominster MSA is \$63,500 and \$70,300 for 2002 and 2003, respectively. The HUD estimated Median Family Income for the Massachusetts non-MSA communities are \$52,100 and \$60,300 for 2002 and 2003, respectively. The HUD estimated Median Family Income for the New Hampshire non-MSA communities are \$51,000 and \$58,400 for 2002 and 2003, respectively.

Demographic and Economic Data

Change in Demographics

In 2003, the US Census Bureau released its revised demographics based upon 2000 census data. The following table reflects both the 1990 and 2000 census data of the Bank's assessment area by census tract income groupings. In addition, the percentage change in the number of census tracts by income grouping is also reflected.

Change in Assessment Area Demographics					
Census Tracts	1990 Census Data		2000 Census Data		% Change in Number of Census Tracts
	#	%	#	%	
Moderate	3	13.0	4	17.4	33.3
Middle	16	69.6	16	69.6	0.0
Upper	4	17.4	3	13.0	-25.0
Total	23	100.0	23	100.0	0.0

Source: PCI Services, Inc., CRA Wiz Software.

Change in Demographics (continued)

The three moderate-income census tracts from the 1990 census data were located in the Town of Athol (one tract) and the City of Gardner (two tracts). The 2000 census data added a moderate-income census tract to the City of Gardner and changed a former upper-income census tract to a middle-income census tract in the Town of Westminster.

The following table reflects selected housing characteristics, based upon 1990 census data, for each of the census tract income groupings in the Bank's assessment area.

Selected Housing Characteristics by Income Category of the Geography Based on 1990 Census Data							
Geographic Income Category	Percentage						Median Home Value (\$)
	Census Tracts	Households	Housing Units	Owner-Occupied	Rental Units	Vacant Units	
Moderate	13.0	12.9	13.0	7.7	27.1	11.8	97,315
Middle	69.6	72.0	72.0	74.5	64.6	74.6	114,876
Upper	17.4	15.1	15.0	17.8	8.3	13.6	138,550
Total or Median	100.0	100.0	100.0	100.0	100.0	100.0	116,151

Source: U.S. Census

In addition, the following table reflects selected housing characteristics, based upon 2000 census data, for each of the census tract income groupings in The Bank's assessment area.

Selected Housing Characteristics by Income Category of the Geography Based on 2000 Census Data							
Geographic Income Category	Percentage						Median Home Value (\$)
	Census Tracts	Households	Housing Units	Owner-Occupied	Rental Units	Vacant Units	
Moderate	17.4	14.7	14.7	10.2	27.9	14.8	92,144
Middle	69.6	75.5	75.6	78.1	67.6	77.1	117,300
Upper	13.0	9.8	9.7	11.7	4.5	8.1	152,817
Total or Median	100	100.0	100.0	100.0	100.0	100.0	117,031

Source: U.S. Census

Description of Aggregate Data Utilized/Lending Activity

Aggregate data, for residential mortgage lending performance purposes only, constitutes 323 (both large and small) mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions, which have originated and/or purchased at least one residential mortgage and/or home improvement loan within the Bank's assessment area (source: PCI Services, Inc., CRA Wiz). Total number of originations/purchases received by these lenders in calendar year 2002 was 8,328.

Description of Aggregate Data Utilized/Lending Activity (continued)

The following table reflects the top five lenders (in descending order) within the Bank's assessment area in 2002.

Lending Activity in Athol Savings Bank's Assessment Area			
Rank	Lenders	Number of Loans	Market Share Percentage
1	Countrywide Home Loans	489	6.0
2	Fleet National Bank	429	5.0
3	Washington Mutual Bank, FA	417	5.0
4	Athol Savings Bank	325	4.0
5	Wells Fargo Home Mortgage	303	4.0

Source: PCI Services, Inc., CRA Wiz Software.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

Based upon the following, the Bank's net loan to deposit ratio appears to be reasonable and, as such, was determined to meet the standards for satisfactory performance.

An analysis of the Bank's net loan to deposit ratios was performed. The calculation incorporated eight quarters of the Bank's net loan to deposit figures as reflected in its quarterly FDIC Call Reports. The quarters reviewed included the periods from March 2002 through December 2003.

The Bank's net loan to deposit ratio, on average, was 72.4 percent. This ratio has fluctuated from a low of 68.4 percent in March 2002, to a high of 77.3 percent in December 2003.

The following illustrates Athol Savings Bank's net loan to deposit trends.

Athol Savings Bank's Loan to Deposit Ratios*	
Dates	Ratio (%)
March 31, 2002	68.4
June 30, 2002	68.7
September 30, 2002	68.6
December 31, 2002	72.3
March 31, 2003	72.8
June 30, 2003	74.6
September 30, 2003	76.4
December 31, 2003	77.3

* Source: FDIC Call Reports.

Over the period reflected in the table, the Bank's net loan portfolio increased by 30.5 percent nearly double its deposit growth of 15.4 percent. From December 31, 2002 through December 31, 2003, the Bank's loan portfolio increased by 19.2 percent, while deposits grew by 11.4 percent.

LOAN TO DEPOSIT ANALYSIS (continued)

A comparison of the Bank's loan to deposit ratio to that of a representative selection of area financial institutions was also performed. As of December 31, 2003, the Bank had total assets of \$257,895,000 and a net loan to deposit ratio of 77.3 percent. The loan to deposit ratios of area financial institutions are reflected in the following table. Those institutions chosen for this selected analysis have a main office or branch location within the Bank's assessment area. The data presented is as of December 31, 2003.

COMPARATIVE NET LOAN TO TOTAL DEPOSIT RATIOS*		
Institution	Total Assets \$(000)	Net Loan to Total Deposit Ratios (%)
Athol-Clinton Co-Operative Bank	82,242	90.3
Athol Credit Union	72,609	100.6
Athol Savings Bank	257,895	77.3
Colonial Co-Operative Bank	70,840	86.1
Fidelity Co-Operative Bank	295,313	77.5
GFA Federal Credit Union	197,747	56.3
I-C Federal Credit Union	292,020	92.7
Workers' Credit Union	454,862	97.7

*As of December 31, 2003.

Based on the aforementioned analysis, Athol Savings Bank has achieved a reasonable and improving loan to deposit level given its capacity to lend and the credit needs of its assessment area.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Based upon the following data, the Bank's percentage of lending activity within its assessment area is considered to be outstanding. Consequently, this pattern of lending is determined to exceeds the standards for satisfactory performance."

An analysis of Home Mortgage Disclosure Act (HMDA) reportable lending extended both inside and outside the Bank's assessment area for the period under review was performed. For the purposes herein, the period under review for HMDA-reportable lending constitutes calendar years 2002 and 2003. A HMDA reportable loan is defined as home purchase loans (including originations, purchases, and refinances) as well as home improvement loans. Note: The Bank has opted to report its home equity Lines of Credit for HMDA purposes reporting only that portion of the loan that is used for home improvement purposes.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S) (continued)

The following table illustrates the Bank's level of HMDA reportable lending both inside and outside its assessment area.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area												
Year	Inside				Outside				Total			
	Number of Loans		Dollar Volume (000)		Number of Loans		Dollar Volume (000)		Number of Loans		Dollar Volume (000)	
	#	%	\$	%	#	%	\$	%	#	%	\$	%
2002	325	87.4	29,469	83.6	47	12.6	5,789	16.4	372	100.0	35,258	100.0
2003	640	87.3	67,438	82.4	93	12.7	14,454	17.6	733	100.0	81,892	100.0
Total	965	87.3	96,907	82.7	140	12.7	20,243	17.3	1,105	100.0	117,150	100.0

Source: HMDA LAR, CRA Wiz

As indicated, the Bank granted a strong majority of the number and dollar volume of its HMDA reportable lending to those communities within its assessment area.

The Town of Athol accounted for the most HMDA-reportable lending, followed by the City of Gardner. For calendar year 2002, the Bank granted 66 loans (17.7 percent) for \$5,272,000 (15.0 percent) in Athol. In Gardner, the Bank granted 46 loans (12.4 percent) for \$4,265,000 (12.1 percent). For calendar year 2003, the Bank granted 109 loans (14.9 percent) for \$9,392,000 (11.5 percent) in Athol, and granted 98 loans (13.4 percent) in Gardner. However, by dollar volume in 2003, the Bank granted \$9,586,000 or 11.7 percent in the City of Gardner surpassing its dollar volume of lending in the Town of Athol by \$194,000.

Therefore, given the size and the resources available to the Bank, the level of HMDA reportable lending within its assessment area is considered substantial.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

Based upon the subsequent analysis, the Bank's distribution of its HMDA-reportable lending within its assessment area to borrowers of different incomes is considered to be substantial. Therefore, the Bank is deemed to exceeds the standards for satisfactory performance in this criterion.

An analysis of HMDA reportable lending extended within the Bank's assessment area, among various income levels for the period under review was performed. Originations were categorized by the ratio of the applicant's reported incomes to the 2002 and 2003 estimated median family incomes of the appropriate MSA (refer to the Performance Context Section).

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA; moderate income is defined as 50 to 79 percent of the median family income; middle income is defined as income between 80 and 119 percent of the median family income; and upper income is defined as income greater than 120 percent of the median family income.

DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS (continued)

The following analysis also includes 2002 aggregate data (exclusive of the Bank) of HMDA reportable lending by percentage as well as demographic data on the percentage of households (per 1990 and 2000 census data) in the assessment area in each respective income group by percentage.

Refer to the following table:

Distribution of Home Mortgage Loans by Borrower Income									
Median Family Income Level	% Total Family Households Per 1990 Census Data	2002 Aggregate Lending Data (% of #)	2002 Bank Data		% Total Family Households Per 2000 Census Data	2003 Bank Data		Total	
			#	%		#	%	#	%
Low Ø	17.5	4.4	18	5.5	16.3	45	7.1	63	6.5
Moderate	17.8	18.3	63	19.4	19.0	125	19.5	188	19.5
Middle	28.0	30.5	119	36.6	25.3	226	35.3	345	35.8
Upper	36.7	35.2	114	35.1	39.4	228	35.6	342	35.4
NA	0.0	11.6	11	3.4	0.0	16	2.5	27	2.8
Total	100.0	100.0	325	100.0	100.0	640	100.0	965	100.0

Source: HMDA LAR, CRA Wiz

Ø Included in the low-income category (per the 1990 census data) are 1,684 households within the assessment area whose income is considered to be below poverty level, and thus, unlikely to qualify for a residential mortgage loan. If that category were adjusted to reflect this fact, the percentage of low-income households (per 1990 census data) within the assessment area would be decreased to 12.0 percent.

Included in the low-income category (per the 2000 census data) are 1,458 households within the assessment area whose income is considered to be below poverty level, and thus, unlikely to qualify for a residential mortgage loan. If that category were adjusted to reflect this fact, the percentage of low-income households (per 2000 census data) within the assessment area would also be decreased to 11.9 percent.

It should be noted that those originations designated as not applicable (NA) loans are either:

- The borrowers' income was not taken into account when granting the loan;
- The borrower is an employee; or
- The loan was purchased.

As indicated in the table, the Bank's percentage of lending to low and moderate-income borrowers is a full percentage above that of the aggregate in 2002. For calendar year 2003, the percentage of lending in the low-income category has increased, while the percentage of lending in the moderate-income category remained relatively flat. Of particular note, however, is the marked increase in the number of loans granted in these two income categories. From 2002 to 2003, HMDA reportable loans to borrowers of low-income increased 150.0 percent, and loans to borrowers of moderate-income increased by 98.4 percent.

By dollar volume in 2002, the Bank originated 2.6 percent of its HMDA reportable lending to low-income borrowers in line with the 2002 aggregate data by dollar volume of 2.7 percent to low-income borrowers. Lending by dollar volume to moderate-income borrowers was 15.7 percent, while aggregate lending was 15.0 percent to those borrowers in 2002.

DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS (continued)

For calendar year 2003, the Bank's HMDA reportable lending by dollar volume was 4.0 percent to low-income borrowers and 15.2 percent to moderate-income borrowers. Also of particular note is the marked increase in the dollar volume of loans granted in these two income categories. From 2002 to 2003, the dollar volume of HMDA reportable loans granted to borrowers of low-income increased 258.8 percent, and loans to borrowers of moderate-income increased by 120.6 percent.

Therefore, over the period reviewed the Bank's level of HMDA reportable lending to borrowers of low and moderate-income is considered to be significant.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The following analysis indicates that the Bank appears to have achieved significant penetration of its HMDA reportable lending to the moderate-income census tracts within its assessment area. Therefore, the Bank is determined to exceeds the standards for satisfactory performance for this criterion.

Based upon 1990 census data, the Bank's assessment area contained twenty-three census tracts. Of those tracts, three or 13.0 percent are moderate-income, and sixteen or 69.6 percent are middle-income, and four or 17.4 percent are upper-income.

Further, an analysis of the Bank's HMDA reportable lending extended within the various census tracts contained within its assessment area for calendar year 2003 was also conducted. It should be noted that, as of January 1, 2003, a revision to Regulation C (HMDA reporting) went into effect. This revision states, in part, that "[f]or all applications and loans reported on lenders' 2003 HMDA/LARs, lenders must use the census tract numbers and corresponding geographic areas from the 2000 census."

Based upon 2000 census data, the Bank's assessment area still contained twenty-three census tracts. However, of those tracts, four or 17.4 percent are moderate-income, sixteen or 69.6 percent are middle-income, and three or 13.0 percent are upper-income.

GEOGRAPHIC DISTRIBUTION OF LOANS (continued)

An analysis of HMDA reportable lending extended within the various census tracts contained within the Bank's assessment area was also conducted. The following table presents the Bank's performance as well as the 2002 aggregate data (exclusive of the Bank) of HMDA reportable lending by percentage. In addition, the table also reflects the percentage of owner-occupied housing units (per 1990 and 2000 census data) in each of the census tract income categories.

Distribution of Home Mortgage Loans by Income Category of the Census Tract									
Census Tracts	% Total Owner-Occupied Housing Units Per 1990 Census Data	2002 Aggregate Lending Data (% of #)	2002 Bank Data		% Total Owner-Occupied Housing Units Per 2000 Census Data	2003 Bank Data		Total	
			#	%		#	%	#	%
Moderate	7.7	6.0	32	9.8	10.2	93	14.5	125	13.0
Middle	74.5	73.7	257	79.1	78.2	517	80.8	774	80.2
Upper	17.8	20.3	36	11.1	11.7	30	4.7	66	6.8
Total	100.0	100.0	325	100.0	100.0	640	100.0	965	100.0

Source: HMDA LAR, CRA Wiz

Of particular note is the Bank's lending to the moderate-income census tracts within its assessment area in both 2002 and 2003. For that period, the percentage of the Bank's HMDA reportable lending was consistently and significantly above both the aggregate and the demographic data. As with the lending by borrower income, the Bank's lending to the moderate-income census tracts reflects a marked increase in the number of loans granted in these census tracts. From 2002 to 2003, HMDA reportable loans granted in the moderate-income reflects an increase of 190.6 percent.

Although it is recognized that the demographics have changed over the period reflected in the table, the addition of one census tract in 2000 reflects an increase of only 33.3 percent, significantly lower than the growth experienced by the Bank.

By dollar volume in 2002, the Bank originated 8.2 percent of its HMDA reportable lending to the moderate-income tracts. This was also well above the 2002 aggregate data by dollar volume of 4.8 percent to those tracts. In 2003, the Bank had 12.3 percent of the dollar volume of its HMDA reportable lending going to the moderate-income census tracts. Also of particular note is the marked increase in the dollar volume of loans granted in these census tracts. From 2002 to 2003, the dollar volume of HMDA reportable loans granted to the moderate-income census tracts increased 243.2 percent, while, as indicated, the demographic change reflected a 33.3 percent increase.

In conclusion, given both the 1990 and 2000 census data demographics of the Bank's moderate-income census tracts within its assessment area, its geographic distribution of HMDA reportable lending to those tracts is considered to be substantial.

5. REVIEW OF COMPLAINTS/FAIR LENDING POLICIES AND PRACTICES

The Bank received no CRA related complaints for the period under review. The Bank has a satisfactory record of implementing fair lending policies and practices. The following discussion is based on the guidelines of the Division's Regulatory Bulletin 2-3-101.

A Fair Lending review was conducted at this examination. This review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on the sample reviewed, no evidence of disparate treatment of applicants was noted.

Currently, the Bank has 96 employees. Among the institution's staff, there are 2 employees who are members of a minority group and there are employees who are bilingual in Spanish, French, and Vietnamese.

The Bank conducts regular training on CRA and Fair Lending for management and staff in an effort to familiarize them with the laws and regulations governing lending practices. Internal training topics include, but are not limited to mortgage and equity products training, and Regulation C: HMDA training. In addition, management and staff also attend seminars provided by Massachusetts Bankers Association when offered. Topics include (but are not limited to) HMDA, HOEPA, and RESPA: A Regulatory Update; The Final Rule Expanding HMDA Requirements; Mortgage Lending Basics; Credit Scoring; Exploitation of Elders; and 2003 Lending Compliance Update- Year-end Review. Lastly, a Vice President attended a workshop at the local community college entitled "Grant Writing" and a Vice President and CRA Officer attended a USDA course on Guaranteed Rural Housing Service (GHR) – "How to Make the GHR Program Work for You". Further, in January 2004, the Bank closed its first GHR program loan for \$127,000. In 2003, only 26 loans under this program were closed statewide.

The Bank offers two first time homebuyers products. One offers a 1 year adjustable rate and the other offers a 5/1 adjustable rate. Both products have qualifying ratios of 28/36, although, as these loans are maintained in-house, more flexible ratios can be utilized, and a 5% downpayment (3% borrower monies/2% gift). The interest rates on these products are slightly lower than those of the regular products offered.

In January 2004, the Bank committed \$100,000 in loan funds for the proposed 2004 Community Development Block Grant Rehabilitation Program. This program is designed to assist low and/or moderate-income residents of the Town of Athol in rehabilitation projects, and is to be administered by the Town's Office of Planning and Development. The Office of Planning will review any proposed projects as to whether they meet the program guidelines and refer eligible borrowers to the Bank. The Bank will analyze the borrowers' financial needs and capacity and recommend financing options. The Bank will offer the loan funds at one-quarter of a percent below the market rate.

The Bank continues to maintain a second review procedure. If the original underwriter believes the loan should be denied, then a second underwriter reviews the file. If the decision remains to deny the loan requested, the decision of the two underwriters is documented in the file and the appropriate notices are sent to the denied applicant.

MINORITY APPLICATION FLOW

For the period reviewed, the Bank received a total of 26 residential mortgage applications from various minority groups, representing 2.3 percent of all applications received from within its assessment area. The 2002 aggregate data indicated 3.7 percent of all the residential applications from within the assessment area were to minority applicants.

In addition, the following table reflects the minority demographics of the Bank's assessment area based upon both the 1990 and the 2000 census data.

Refer to the following table:

Distribution of Home Mortgage Loan Applications by Race									
Race	Racial Demographics Per 1990 Census Data	2002 Aggregate Lending Data (% of #)	2002 Bank Data		Racial Demographics Per 2000 Census Data	2003 Bank Data		Total	
			#	%		#	%	#	%
Native American	0.2	0.3	2	0.5	0.2	1	0.1	3	0.3
Asian	0.6	0.4	2	0.5	0.7	2	0.3	4	0.4
Black	0.8	0.5	0	0.0	0.9	0	0.0	0	0.0
Hispanic	1.1	0.7	2	0.5	1.9	2	0.3	4	0.4
Joint Race	0.0	0.9	4	1.0	0.0	8	1.1	12	0.9
Other	0.0	0.9	0	0.0	1.1	3	0.4	3	0.3
Total Minority	2.7	3.7	10	2.5	4.8	16	2.2	26	2.3
White	93.3	60.2	371	95.9	95.2	700	96.8	1,071	96.5
NA	0.0	36.1	6	1.6	0.0	7	1.0	13	1.2
Total	100.0	100.0	387	100.0	100.0	723	100.0	1,110	100.0

Source: HMDA LAR, CRA Wiz

Given the demographics of its assessment area, the Bank's level of minority applications is considered reasonable.

Community Development Lending

As defined in the revised CRA regulation, a community development purpose is: affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, or activities that revitalize or stabilize low and moderate-income geographies. However, in order to qualify as a community development loan, the loan must not be a HMDA reportable or small business loan, unless it is for a multi-family dwelling (five or more units).

At management's request, the Bank's community development lending was reviewed.

Community Development Lending (continued)

During calendar years 2002 and 2003, the Bank originated nine loans, totaling \$5,145,000, that meet the definition of Community Development. The following describes examples of the Community Development Loans originated and committed to by the Bank during the period under review.

- In 2002, the Bank funded a \$1,400,000 commercial construction loan for the purposes of expansion of an existing lodging home for the elderly. The expansion will add 28 new units, new common areas and new service facilities to this elderly boarding house.
- In 2003, the Bank provided an \$85,000 commercial Line of Credit to an organization that provides transitional housing, rental assistance, fuel assistance, and job training. The loan proceeds are for working capital purposes.
- In 2003, the Bank was the lead bank in a \$4,000,000 participation loan to a not for profit school and home for troubled boys, for the purposes of constructing a new two-story 48 unit residential facility to be utilized as dormitory space. The Bank's portion of the participation was \$500,000. The school is approved for placement by many social, educational, and youth service departments in New England and throughout the country. The boys attending the two-year program at The School are from Massachusetts, Pennsylvania, Maine, Tennessee, and Texas. Depending on where the boys are from determines who pays the tuition (i.e. state, city, or town etc.). Prior to the participation loan in 2002 and again in 2003, the Bank provided a \$750,000 60-day time note for interim financing of construction costs. Also, in 2002 and again in 2003, provided this organization with an \$800,000 commercial Line of Credit for working capital purposes.
- In 2002, and again in May 2003, the Bank provided a \$30,000 commercial Line of Credit to a non-profit charitable organization that administers to the care and well-being of children. Proceeds were for working capital purposes.

QUALIFIED INVESTMENTS AND SERVICES

At management's request, the Bank's investments and services were reviewed.

Investments

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. In recognition of the many legal limitations on Bank investments, and the long-term nature and complexity of many community development investments, the CRA regulation allows some reasonable consideration for the entire Bank portfolio of qualified investments; not just those made since the previous CRA examination. The following describes the institution's qualified investments.

QUALIFIED INVESTMENTS AND SERVICES (continued)

Charitable Contributions

There appears to be limited opportunities for the Bank to invest in that which is considered qualified within its assessment area. However, the Bank has provided contributions to organizations that provide education and training, neighborhood revitalization, youth programs, and health and human services for individuals in need, and support business growth and development. For calendar year 2002, the Bank provided \$62,209 in corporate contributions, \$31,876 (51.2 percent) of which was in support of programs that promote community development, as defined under the CRA regulation. For calendar year 2003, the Bank provided \$65,925 in corporate contributions, \$31,142 (47.2 percent) of which was in support of such programs.

The following includes (but is not limited to) some of the organizations that the Bank contributed to that were considered to be qualified donations: the Athol/Orange United Way; the United Way of North Central Massachusetts; The Athol area YMCA; area Chamber(s) of Commerce; the Consumer Credit Counseling Service of Massachusetts; the Ashburnham/Westminster Community Partnership for Children; Barre Senior Center; Barre Food Bank; and Gardner CAC Food Pantry.

RETAIL BANKING SERVICES

Distribution of Branches

As previously indicated in the Performance Context portion of this Public Evaluation, the Bank has eight branch office locations. Its main office located on Main Street in Athol, a lending/convenience center is also located on Main Street in Athol, and a branch office on Main Street in "Uptown" Athol all fall within moderate-income census tracts. In addition, the Bank has four branch offices that fall within middle-income census tracts located in Ashburnham, Baldwinville, Barre, and Winchendon. However, as of the 2000 census, the Bank's final branch office located in Gardner falls within a moderate-income census tract (formerly a middle-income tract per 1990 data).

Office hours include extended evening hours on Thursdays and Fridays, and on Saturday mornings. In addition, the Bank has drive-up facilities located at its convenience center in Athol as well as its Ashburnham, Baldwinville, Barre, Gardner, and Winchendon locations. All drive-up facilities open ½ hour before the lobby opens in the morning. Also, the convenience center in Athol offers lobby and drive-up hours that extend until 1:00 PM on Saturdays. With the exception of the lending/convenience center, all offices have Automatic Teller Machines (ATM). The Bank continues to be a member of the SUM network of financial institutions, which do not levy surcharges to foreign ATM customers.

The Bank offers "Absolutely Free Checking" accounts. This account offers no minimum balance requirement, no monthly service fee, no per check charge, no charge ATM (foreign terminal charges may apply), and the first order of checks are free. The Bank also offers both a statement saving and a passbook saving accounts that has a minimum balance requirement of \$100 and a \$2 monthly fee if the balance falls below the minimum.

RETAIL BANKING SERVICES (continued)

The Bank continues to offer its customers a free bank by mail program, in which postage is paid by the Bank thus allowing the customer to complete transactions by mail. The Bank also is a participant in the voluntary check-cashing program and in the public assistance check Direct Deposit program.

The Bank also offers "Round-the-Clock Banking," a 24 hour, 7-day a week information system accessible from a touch-tone telephone. The "Round-the-Clock Banking" provides rate information on deposit accounts and loan products, allows the transfer of monies between accounts, and gives access to account balances and transactions made on deposit accounts.

Alternative Retail Banking Services

The Bank participates in a "SaveSum" program that is an interactive, hands on educational program designed for students. The purpose of the program is to educate children on the importance of saving money. The "SaveSum" program is offered in conjunction with the Riverbend School in Athol, the Toy Town Elementary School in Winchendon, and the Narragansett Middle School in Templeton.

The Bank also provides training materials to area high schools. Narragansett High School, Murdock Middle/High School, and Athol High School receive booklets and a teacher's manual on checking accounts. Gardner High School receives booklets and a teacher's manual on loans and credit.

In 2003, a Vice President of Lending participated in the Young Entrepreneurs Society, Inc (YES), Athol BizVenture program. YES is a non-profit organization that teaches Athol high school seniors about planning and creating a business. Various business professionals are invited to speak on topics such as marketing, creating a business plan, finding an attorney, and raising capital.

COMMUNITY DEVELOPMENT SERVICES

The CRA regulation defines a community development service as a service that has as its primary purpose in community development and the provision of financial services. The Bank's trustees, officers, and employees are involved with community organizations that address economic and affordable housing development. Through these involvement's, the Bank affiliates lend their technical expertise, experience, and judgment to these organizations.

The following are some examples of Athol Savings Bank's community development services:

Athol Area United Way

The Bank's Vice President and CRA Officer serves on the Board of Directors and is Campaign Committee Chairman for this organization.

Athol High School Scholarship Association

This same individual serves on the Board of Directors and as Trustee of this association, that annually awards scholarships based upon scholastic aptitude and financial need.

COMMUNITY DEVELOPMENT SERVICES (continued)

Builder's Association of Central Massachusetts

The Bank's Vice President of Lending serves on the Board of Directors of this organization.

Gardner Athol Area Mental Health Association

A Bank branch manager is Treasurer and a Board of Directors member for this association.

Greater Gardner Chamber of Commerce/ Greater Gardner School to Career

The Bank's Vice President of Lending serves on the Board(s) of Directors of both of these organizations.

Montachusett Regional Vocational Tech Business/Education Enrichment Foundation

This same individual serves on the board of this foundation.

Valuing Our Children

The Bank's Vice President and CRA Officer serves as Vice President of this organization.

YMCA of Athol

This same individual serves on the Board of Directors of this chapter of the YMCA.

North Quabbin Chamber of Commerce

The Bank's Vice President of Lending serves as a board member of this chamber.

Petersham Council on Aging

Athol Savings Bank's Operations Officer serves as a board member and is a volunteer for this entity.

Educational Seminars

On October 7, 2002, the Bank was one of nine participants in a "Mortgage Fair for First-Time Homebuyers." The Greater Gardner Community Development Corporation (CDC), the North Central Massachusetts CRA Coalition, the Greater Worcester Community Foundation, the City of Gardner, and the Town of Winchendon sponsored the event. Approximately twenty people attended the event held at the Greater Gardner CDC.

In May 2004, the Bank will be sponsoring and participating in a First Time Homebuyer Seminar in conjunction with the Greater Gardner CDC. Additional sponsors include the City of Gardner; the North Central Massachusetts CRA Coalition; and the Town of Winchendon. The seminar will be held at the bank's Gardner branch office.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

ATHOL SAVINGS BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **March 23, 2004**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.